

Message Text

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ACTION AID-59

INFO OCT-01 EUR-25 ISO-00 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-03 INR-11 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-03 LAB-06 SIL-01 SWF-02

OMB-01 XMB-07 SS-20 NSC-07 STR-08 L-03 PA-04 PRS-01

USIA-15 DRC-01 /246 W

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R 241944Z SEP 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 3698

UNCLAS SECTION 01 OF 02 OECD PARIS 22605

E.O. 11652: N/A

TAGS: EAID, EFIN, IMF, IBRD

SUBJECT: DAC DISCUSSION OF MINISTERIAL COMMITTEE

REF: STATE 205808

1. SUMMARY: AT REQUEST OF GERMAN DEL, DAC HELD SHORT DISCUSSION OF NEW MINISTERIAL COMMITTEE AT ITS SEPTEMBER 19TH MEETING. DELEGATES WHO SPOKE TENDED TO SUMMARIZE VIEWPOINTS WHICH WERE CONCURRENTLY BEING PUT FORWARD BY THEIR BANK/FUND EXECUTIVE DIRECTORS AT LAST WEEK'S WASHINGTON MEETINGS. ALL DELS (MANY OF WHOM WERE FROM CAPITALS) EMPHASIZED THAT MINISTERIAL COMMITTEE SHOULD ENDEAVOR NOT TO DUPLICATE WORK OF DAC OR UN BODIES. GERMANY, JAPAN, AND UK INSISTED NEW COMMITTEE SHOULD BE LINKED TO BANK AND FUND. UK AND GERMAN DELS INDICATED THEIR INITIAL REACTION TO PROPOSAL TO ESTABLISH NEW COMMITTEE HAD BEEN LUKEWARM. U.S. DEL OUTLINED REASONS WHY U.S. FAVORED ESTABLISHING NEW COMMITTEE AND POTENTIAL U.S. SEES IN IT. CHAIRMAN, WHO HAD REFRAINED FROM OFFERING HIS OWN VIEWS OR MINISTERIAL COMMITTEE TO BEGIN DISCUSSION AND FROM ENCOURAGING DEBATE OF ISSUES DELE-
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GATES BROUGHT UP, CLOSED DISCUSSION AFTER SEVEN DELE-

GATES HAD SPOKE BY NOTING THAT NEW COMMITTEE'S ADVANTAGE OVER OTHER FORA WOULD BE ITS WIDER COMPOSITION, WHICH WOULD INCLUDE MANAGEABLE NUMBER OF LDC AND OIL-PRODUCING COUNTRY CONSTITUENCIES, AND THAT NEW COMMITTEE QUOTE DESERVED DAC'S FULL SUPPORT AND WOULD GET IT END QUOTE. END SUMMARY.

2. CHAIRMAN STARTED DISCUSSION BY POINTING OUT NEW MINISTERIAL COMMITTEE'S (MC) TERMS OF REFERENCE WERE STILL BEING DISCUSSED BY EXECUTIVE DIRECTORS IN WASHINGTON. HE THEN INVITED GERMAN DEL TO OPEN DISCUSSION. GERMAN DEL REGRETTED THAT IT WAS TOO LATE TO INFLUENCE EXECUTIVE DIRECTORS' DECISIONS. HE SAID DAC SHOULD BE CONCERNED ABOUT NEW COMMITTEE BECAUSE IT WOULD DEAL WITH DEVELOPMENTAL ISSUES AND ITS WORK MIGHT OVERLAP THAT OF DAC. HE GAVE THREE REASONS WHY FRG WAS NOT ENTHUSIASTIC ABOUT NEW COMMITTEE: (A) DOUBTS RE WHETHER IT COULD FULFILL THE HIGH EXPECTATIONS SOME LDC'S HAD FOR IT (ESPECIALLY SINCE FINANCE MINISTERS WOULD PRESIDE); (B) FEAR OF FURTHER DC-LDC CONFRONTATION; AND (C) DUPLICATION OF DAC AND UN WORK. ON POSITIVE SIDE, GERMAN DEL CITED POTENTIAL USEFULNESS OF HIGH-LEVEL CONSULTATIONS BETWEEN DC'S AND LDC'S AND SAID FRG WILL ATTEMPT TO MAKE THE BEST USE OF MC. HE THOUGHT SECOND DRAFT OF MC'S TERMS OF REFERENCE APPEARED ACCEPTABLE. HE SAID FRG BELIEVED MC SHOULD CONCERN ITSELF WITH AID ISSUES AND NOT WITH MONETARY AND TRADE MATTERS; THAT IT SHOULD NOT BE NUCLEUS OF NEW INTERNATIONAL ORGANIZATION, BUT SHOULD BE CLOSELY CONNECTED WITH BANK AND FUND; AND THAT MC SHOULD RECEIVE TWO-YEAR MANDATE AFTER WHICH ITS RECORD WOULD BE REVIEWED. AS FIRST ORDER OF BUSINESS, FRG FEELS MC SHOULD TAKE UP EFFECTS OF CURRENT CHANGES IN ECONOMIC SITUATION, I.E., THE PROBLEM OF MSA'S AND HOW TO RECYCLE PETRO-DOLLARS TO LDC'S. OTHER TOPICS SUGGESTED BY GERMAN DEL WERE ROLE OF LDC'S AND OPEC COUNTRIES IN MULTILATERAL INSTITUTIONS (GETTING OPEC COUNTRIES TO CONTRIBUTE TO IDA), AND AID TARGETS.

3. FRENCH DEL, SAYING HE SPOKE ON HIS OWN BEHALF, REFRAINED FROM DISCUSSING SUBSTANTIVE ISSUES EXECUTIVE UNCLASSIFIED

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DIRECTORS WOULD HAVE TO DECIDE. HE EMPHASIZED DAC MEMBERS SHOULD MAKE SURE MC WORK PROGRAM DOES NOT OVERLAP WITH THAT OF DAC AND COMMENTED THAT HE BELIEVED MC WOULD NOT REPLACE DAC BUT THAT IT WOULD ENABLE CONSULTATION ON RESOURCE TRANSFER ISSUES TO BE CARRIED ON IN WIDER FORUM NOT LIMITED TO TRADITIONAL DONORS, AND THAT SMALLER GROUP SHOULD BE ABLE TO GET MORE ACCOMPLISHED THAN DO UNCTAD GROUPS.

4. JAPANESE DEL SAID GOJ STILL HAD SOME QUESTIONS ABOUT MC'S TERMS OF REFERENCE. HE SAID GOJ WANTED TO AVOID HAVING MC DUPLICATE WORK OF OTHER FORA AND THUS FELT ITS TERMS OF REFERENCE SHOULD BE CONFINED TO BANK/FUND FRAMEWORK AND ITS RECOMMENDATIONS DIRECTED TOWARD THEM.

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OMB-01 XMB-07 SS-20 NSC-07 STR-08 L-03 PA-04 PRS-01

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5. U.S. DEL REVIEWED HISTORY OF PROPOSAL AND REASONS WHY U.S. ACTIVELY SUPPORTS ESTABLISHMENT OF NEW MC. HE SAID U.S. FAVORED ITS HAVING A WIDE TERMS OF REFERENCE AND ALSO A LESS-RESTRICTIVE ASSOCIATION WITH THE BANK AND FUND THAN MAY EMERGE FROM EXECUTIVE DIRECTORS' DISCUSSIONS.

6. DUTCH DEL SAID GON HAD NEITHER FAVORED NOR OPPOSED ESTABLISHMENT OF MC BUT FELT DUPLICATION OF WORK SHOULD BE AVOIDED.

7. U.K. DEL ALSO SAID HMG WAS NOT ENTHUSIASTIC ABOUT MC AT FIRST AND SHARED CONCERN OF OTHERS ABOUT OVERLAPPING OF WORK. U.K. DESIRES MC TO HAVE STRONG LINK WITH BANK AND FUND, BUT REFRAIN FROM GIVING DIRECTIVES TO THEM OR TO OTHER MULTILATERAL INSTITUTIONS. IT SHOULD BE CONSULTATIVE FORUM ONLY; ITS TERMS OF REFERENCE SHOULD BE BROAD, AND IT SHOULD BE FORUM FOR SERIOUS DISCUSSION OF BROAD DEVELOPMENTAL ISSUES. WORK SHOULD START WITH UNCLASSIFIED

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REVIEW OF EFFECTS OF CURRENT ECONOMIC SITUATION. U.K. DEL COULD NOT AGREE WITH GERMAN DEL THAT AID TARGETS BE DISCUSSED BY MC, BUT SHE DID AGREE WITH HIM THAT REVIEW OF NEW COMMITTEE'S RECORD SHOULD BE MADE AFTER TWO YEARS' TIME.

8. ITALIAN DEL, WHO SAID HE WAS SPEAKING ONLY FOR ITALIAN DELEGATION TO OECD PUT FORWARD TWO HASTILY-CONCEIVED OPINIONS ABOUT MC: (A) HE WAS NOT ENTHUSIASTIC ABOUT NEW COMMITTEE SINCE ITS ROLE AS EXPLAINED IN SECOND SIMON LETTER SEEMED LITTLE DIFFERENT FROM THAT OF DAC; AND (B) HE THOUGHT MINISTERS OF FINANCE NOT COMPETENT MINISTERS ON QUOTE AID END QUOTE QUESTIONS.

9. CHAIRMAN ENDED DISCUSSION SAYING POTENTIAL OF NEW COMMITTEE COULD NOT YET BE JUDGED. ITS GREAT ADVANTAGE LAY IN ITS STRUCTURE, ALTHOUGH THIS WOULD NOT AUTOMATICALLY GUARANTEE SUCCESS. HE SAID DUPLICATION OF WORK ALREADY OCCURRED IN INTERNATIONAL FORA AND NEW MC WOULD PROBABLY DUPLICATE WORK OF SOME U.N. BODIES. HE CLOSED BY SAYING NEW COMMITTEE DESERVED DAC'S FULL SUPPORT AND WOULD GET IT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL MEETINGS, MEETING DELEGATIONS, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OECDP22605
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740268-0993
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740919/aaaaapsv.tel
Line Count: 205
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 205808
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by maustmc>; APPROVED <03 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DAC DISCUSSION OF MINISTERIAL COMMITTEE
TAGS: EAID, EFIN, US, GE, UK, JA, IMF, IBRD, DAC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005